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UNITED STATES MARITIME COMMISSION  
WASHINGTON

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OFFICE OF THE CHAIRMAN

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Rear Admiral R. H. Hillenkoetter  
Director of Central Intelligence  
Washington 25, D. C.

Dear Admiral Hillenkoetter:

The information contained in your letter of December 1, 1949, regarding the operation of U. S. and foreign flag tankers to ports under Soviet control has heretofore been brought to our attention.

Regarding the two vessels mentioned in the first paragraph of your letter, the information concerning the KETTLEMAN HILLS has been confirmed by us. We cannot obtain exact information concerning the other vessel mentioned, namely the BEAUREGARD. There is a cargo vessel by this name under the U. S. flag which we know is and has not been trading with Russia. Another vessel by this name was transferred to Russia under the terms of the Lend Lease Agreement in March, 1945. It has since been renamed MENDELEEV and has never been returned by the Russians in spite of requests made upon them by the State Department. This same vessel, according to our latest information, sailed from Karachi on October 15 for Dairen under charter to a Russian agency, namely Sevtorgflot. A third BEAUREGARD, a tanker, is under the Norwegian flag. This vessel sailed from Singapore August 10 for Dairen and Vladivostok, and on August 31 sailed for Gensan.

As previously stated, the Maritime Commission has for some time been aware of the participation by some U. S. flag tankers in this trade, but feels that under present circumstances, there is no action which should be taken by us. The Maritime Commission, through the authority vested in it by Section 9 of the Shipping Act, 1916, as amended, may approve or disapprove the charter of U. S. flag vessels to aliens, and in times of national emergency or for strong reasons of public interest has exercised such control. Such control by the Maritime Commission may not be arbitrary or capricious but must be based on the strongest considerations of national policy. For guidance in the field of international policy, the Maritime Commission looks to the Department of State and, up to this point, it has received no indication that the trading of United States flag vessels with Communist-controlled ports is contrary to our national interest.

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Actually, the Maritime Commission holds subsidy contracts with several steamship companies for the payment of operating-differential subsidies, which contracts include in the itineraries to be served, ports which are under Soviet or Communist control. As these are dry cargo services, it may be that the cargoes carried are subject to export controls. Furthermore, many vessels, including the KETTLEMAN HILLS, were sold to their present U. S. citizen owners under the authority of the Ship Sales Act, 1946, Section 4 (c) of which specifically provides:

"The contract of sale, and the mortgage given to secure the payment of the unpaid balance of the purchase price, shall not restrict the lawful or proper use or operation of the vessel."

In the absence, therefore, of direct advice from the State Department, which advice would of course have to be made public, it is questionable whether the Maritime Commission could legally restrict the type of trading mentioned in your letter. However, even though the Maritime Commission should attempt to exercise such control over United States flag vessels, it would not of course eliminate the movement of petroleum products to Soviet-controlled ports as foreign flag vessels would get the business. The result would simply be that United States flag vessels would be deprived of the employment, which would render greater their difficulties in meeting their financial obligations to the Government or banking institutions, a situation which is already becoming critical by reason of the continued depression of the tanker market.

Very truly yours,

Philip B. Fleming  
Chairman

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1 December 1949

Major General Philip B. Fleming  
Chairman  
United States Maritime Commission  
Washington, D. C.

Dear General Fleming:

On 10 August 1949, it was reported that the United Tanker Corporation had recently chartered several U. S. and foreign-flag tankers to transport gasoline and kerosene from Constanza, Rumania, to Shanghai and Dairen. Two of these, the Kettleman Hills and the Beauregard, had already passed into the Mediterranean bound for Dairen.

Additional information has now been received through Sealing and Jarvis, the operating agents of the Kettleman Hills, that this vessel is under new charter, the SOVJUSNET, export company in Moscow, for one trip, Black Sea to Dairen. The Kettleman Hills is now leaving Bahrain with an estimated time of arrival in Antwerp of 15 December 1949 and is expected to proceed after her call of Antwerp to Constanza or Batum, most probably the latter.

Sincerely,

Signed and dispatched 12/1/49

R. H. HILLENBRETT  
Rear Admiral, USN  
Director of Central  
Intelligence

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